

Message Text

CONFIDENTIAL

PAGE 01 ABU DH 01490 250659Z
ACTION NEA-11

INFO OCT-01 EUR-12 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /139 W
-----109989 250710Z /11

P R 241329Z MAY 78
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC PRIORITY 7881
INFO AMEMBASSY TEHRAN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT

C O N F I D E N T I A L ABU DHABI 1490

E.O. 11652: GSS
TAGS: ENRG, EINV, TC, IR, US
SUBJ: TAX AND ROYALTY PROBLEM FOR CRESCENT PETROLEUM

REFS: (A) STATE 127281 (B) ABU DHABI 1470, (C) STATE 131266

SUMMARY: RULER OF SHARJAH AS YET UNWILLING COMMIT HIMSELF WHETHER OR
NOT WILLING ACCEPT ARBITRATION. RULER DISAPPOINTED THAT MOST RECENT
OFFER SEEK COMPROMISE BETWEEN IRAN AND CRESCENT SHAREHOLDERS HAS BEEN
REFUSED BY LATTER. DOES NOT APPEAR HE PLANS ANY PRECIPITATE ACTION.
CLEARER IDEA OF SHARJAH'S POSITION SHOULD EMERGE ONCE SHAREHOLDERS
DELIVERMAY 15 LETTER.
END SUMMARY.

1. I MET PRIVATELY WITH SHAIKH SULTAN, RULER OF SHARJAH, ON MAY 24 TO

DISCUSS TAX AND ROYALTY PROBLEM OF CRESCENT. I PREFACED MY REMARKS BY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ABU DH 01490 250659Z

STATING THAT AT TIME I HAD ASKED FOR APPOINTMENT, I HAD ASSUMED THAT
MAY 15 LETTER FROM CRESCENT SHAREHOLDERS (REF A) WAS IN HIS HANDS.
HOWEVER, I HAD LEARNED FROM CRESCENT MANAGING DIRECTOR HAMID JAAFAR
PREVIOUS EVENING THAT HE HAD NOT YET BEEN ABLE TO DO SO. SHAIKH
SULTAN SAID HE HAD A MEETING WITH JAAFAR EVENING MAY 24.

2. I SAID I HAD RECEIVED A TEXT OF THE LETTER AND BRIEFLY SUMMARIZED

ITS CONTENTS. HE DID NOT SEEM SURPRISED. I THEN CONVEYED ORALLY THE POINTS CONTAINED IN PARA 3 OF REF B AS MODIFIED BY DEPARTMENT'S INSTRUCTIONS CONTAINED REF C.

3. RULER'S IMMEDIATE REACTION WAS TO RECOUNT AN ARAB PROVERB HE HAD UTILIZED WHEN BUTTES LAWYER NORTHCUT ELY AND KERMIT ROOSEVELT HAD VISITED HIM MARCH 29 TO DELIVER MARCH 22 LETTER FROM CRESCENT SHAREHOLDERS ASKING FOR ARBITRATION AND TO COMPLAIN OF SHARJAH'S ACTION. THE PROVERB RELATED TO A PIECE OF WOOD: "THE WOOD SAYS TO THE NAIL, WHY DONT YOU LOOK AT THE HAMMER ON MY HEAD". HE SAID HE WAS THE NAIL AND THE IRANIANS WERE THE HAMMER. CONTINUING, SHAIKH SULTAN SAID THAT 55/12.5 PERCENT TAX AND ROYALTY WAS OUTMODED IN GULF AND NO LONGER EXISTED. I TOOK EXCEPTION TO THIS POINTING OUT THAT MUBARRAZ FIELD IN ABU DHABI, WHICH IS SMALL LIKE MUBARRAQ FIELD IN SHARJAH, HAS SAME TAX ROYALTY. TOTAL ABU BUKUSH FIELD HAD HAD SAME TAX ROYALTY UNTIL RECENTLY RAISED TO 75/20 BECAUSE DETERMINED BE BIGGER FIELD. ALSO BELIEVED NEW SATAH RAZBUT FIELD HAD A LOWER C TAX AND ROYALTY. WHEN HE MENTIONED BUNUQ FIELD (SHARED BY ABU DHABI WITH QATAR), I SAID RECENT INCREASE IN TAX AND ROYALTY HAD MADE FIELD UNECONOMIC AND UNDERSTOOD MATTER NOW BEING DISCUSSED BETWEEN ABU DHABI AND QATAR.

4. SHAIKH SULTAN THEN SAID THAT HE HAD TRIED TO BRIDGE THE GAP BETWEEN CRESCENT AND IRANIANS. IRAN ORIGINALLY HAD WANTED TAX AND ROYALTY RETROACTIVE TO JULY 1, 1975. HE HAD MANAGED TO GET THE IRANIANS

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ABU DH 01490 250659Z

TO AGREE TO HAVE RETROACTIVITY START JULY 1, 1976. WHEN CRESCENT SHAREHOLDERS HAD REFUSED THIS, HE HAD OFFERED PERSONALLY TO TRY AND MOVE RETROACTIVITY TO JUNE 1977 WHICH HE SAID WAS WHEN NEGOTIATIONS HAD BEEN INITIATED FOR REVISION IN TAX AND ROYALTY. HE HAD TOLD SHARE-

HOLDERS HE WOULD BE WILLING TO RAISE MATTER WITH SHAH TO TRY AND DEDUCT ANOTHER YEAR. BUT CRESCENT HAD REFUSED, STATING IT WOULD ACCEPT 77/14.5 PERCENT TAX AND ROYALTY ONLY BEGINNING JANUARY 1, 1978. HE FELT THAT CRESCENT WAS NOT COOPERATING WITH HIM. WHILE HE WAS PREPARED TO TRY AND DEDUCT ONE YEAR FROM RETROACTIVITY (I.E. TO JUNE 1977), HE WAS NOT PREPARED TO DEDUCT FROM TIME NEGOTIATIONS HAD BEGUN LAST SUMMER.

5. I DID NOT CHOOSE TO GET INTO DETAILS BY POINTING OUT THAT CRESCENT HAD TOLD ME NEGOTIATIONS HAD ACTUALLY BEGUN IN AUGUST 1977 AND THAT SHARJAH HAD FIRST TALKED ABOUT A LOWER TAX AND ROYALTY. INSTEAD, I REITERATED THAT I WAS NOT THERE TO ARGUE MERITS OF CRESCENT CASE OR OF RULER'S RIGHT SEEK A REVISION OF CONCESSION AGREEMENT. PURPOSE OF MY CALL WAS TO EMPHASIZE USG SUPPORT FOR PRINCIPLE OF ADHERENCE BY BOTH PARTIES TO TERMS OF CONTRACT FREELY ENTERED INTO INCLUDING CLAUSE CALLING FOR INTERNATIONAL ARBITRATION IN CASE OF A DISPUTE THAT CANNOT BE SETTLED BY NEGOTIATIONS. AT THIS

POINT, I ASKED SHAIKH SULTAN FOR HIS VIEWS ON DESIRABILITY OF ANY DIRECT CRESCENT-NIOC CONTACTS. HE REPLIED THAT SUCH CONTACTS MIGHT BE USEFUL BUT THEY SHOULD BE IN SHARJAH WHICH RESPONSIBLE FOR CONCESSION

.
HE SAID WOULD DISCUSS MATTER WHEN HE SEES CRESCENT GENERAL MANAGER JAAFAR.

6. AT SHAIKH SULTAN'S OWN CHOOSING, CONVERSATION THEN TURNED TO INTERNAL AFFAIRS. HOWEVER, UPON LEAVING, I AGAIN EMPHASIZED OUR HOPE THAT THERE WOULD BE NO PRECIPITATE ACTION ON SHARJAH'S PART. RULER'S REPLY WAS HE WOULD TALK TO JAAFAR THAT EVENING "AND SEE WHAT WE CAN DO. I WILL TRY TO BE A THERMOSTAT."

7. COMMENT: I DO NOT BELIEVE THAT MY MEETING WITH RULER OF SHARJAH
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ABU DH 01490 250659Z

BEFORE CRESCENT SHAREHOLDERS HAD PRESENTED THEIR MAY 15 LETTER CAUSED ANY PROBLEM. IT IS MY FEELING THAT CRESCENT WAS JUST AS HAPPY TO HAVE LETTER SUBMITTED AFTER MY MEETING WITH SHAIKH SULTAN. DESPITE MY REPEATED REFERENCES TO PRINCIPLE OF INTERNATIONAL ARBITRATION, SHAIKH SULTAN DID NOT INDICATE WHETHER OR NOT HE ACCEPTED TAKING ISSUE

TO ARBITRATION. HE STILL SEEMED DESIROUS OF FINDING ANOTHER WAY OUT. HE TOLD ME THAT WE WOULD BE MAKING A PRIVATE VISIT TO UNITED STATES LATTER PART OF JUNE STAYING AT HOME OF MR. R. MASON, CHAIRMAN OF CHARTER OIL CO. IN JACKSONVILLE, FLORIDA. (NOTE: MASON HELPED HOST SHAIKH SULTAN'S LAST VISIT TO THE US IN 1976 AND HAS SOME CONSTRUCTION

ACTIVITY IN SHARJAH). THESE PERSONAL PLANS AND TENOR OF HIS RESPONSE DID NOT SEEM INDICATE THAT SHAIKH SULTAN HAS ANY PRECIPITATE ACTION AGAINST CRESCENT IN MIND. WE WILL NOT HAVE TO WAIT AND SEE WHAT HE TELLS CRESCENT.

DICKMAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, TAXES
Control Number: n/a
Copy: SINGLE
Draft Date: 24 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ABUDH01490
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: GS DC ALTERED
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780220-0805
Format: TEL
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780526/aaaaavqt.tel
Line Count: 153
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6275c397-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 127281, 78 ABU DHABI 1470, 78 STATE 131266
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2595331
Secure: OPEN
Status: NATIVE
Subject: TAX AND ROYALTY PROBLEM FOR CRESCENT PETROLEUM
TAGS: ENRG, EINV, TC, IR, US, CRESCENT PETROLEUM
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/6275c397-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014